

Franchise and Business Opportunities

Want to be your own boss? A franchise or business opportunity may sound appealing, especially if you have limited resources or business experience. However, you could lose a significant amount of money if you don't investigate a business carefully before you buy. The Federal Trade Commission's Franchise and Business Opportunity Rule requires franchise and business opportunity sellers to give you specific information to help you make an informed decision.

The Federal Trade Commission (FTC) has a variety of information on franchises on its website. Among the helpful information is a listing of short guides on different types of franchises as well as cautionary information <http://www.ftc.gov/bcp/menu-fran.htm>

The Seminar Pitch: A Real Curve Ball

Earn up to \$100,000 per year!

At the world's most successful seminar, we'll show you how to multiply your money in 6 months or less -- with little risk.

Our experts will teach you the latest insider secrets for making money fast.

You can't afford to pass up this valuable opportunity.

What a pitch! You may have received a letter or seen an infomercial promoting a seminar or conference that promises to help you make a lot of money. Seminar hucksters say they'll give you valuable information about how to invest successfully or operate a profitable business. Their "success stories" and testimonials seem to show that anyone who attends the seminar can make money from the investment and business program they're selling. Some promoters may even claim to have gotten rich from their own investment in the program.

If you attend one of these seminars, you'll hear a series of sales pitches for a variety of business opportunities and investments. Consumers who invest in these "opportunities" frequently find that the pay-off isn't as promised -- and they can't recoup the money they spent.

The Federal Trade Commission wants to alert you to the secrets of the seminar squeeze. Be wary of promotional materials or sales pitches that make these claims:

- You can earn big money fast, regardless of your lack of experience or training.
- The program or business opportunity is offered for a short time only.
- The deal is a "sure thing" that will deliver security for years to come.
- You'll reap financial rewards by working part time or at home.
- You'll be coached each step of the way to success.
- The program worked for other participants -- even the organizers.

Don't Get Hit By The Pitch

Promises of quick, easy money can be a powerful lure. If you buy into a business opportunity at a seminar, you may find that the products and information you purchased are worthless and that your money is gone.

You can avoid getting hit by the seminar pitch. Here's how:

- Take your time. Don't be rushed into buying anything at a seminar. Avoid high-pressure sales pitches that require you to buy now or risk losing out on the opportunity. Remember, solid opportunities are not sold through nerve-racking tactics.
- Investigate the business you're considering investing in. Talk to experienced business people and experts in the field before spending your money.
- Be wary of "success stories" or testimonials of extraordinary success. The seminar operation may have paid "shills" to give glowing stories.
- Be cautious about purchasing from seminar representatives who are reluctant to answer questions, or who give evasive answers to your questions. Remember that legitimate businesspeople are more than willing to give you information about their investment or sales opportunity.
- Ask about how much money you need to qualify for the investment or sales opportunity, and ask about the company's refund policy. Get this in writing. Keep in mind that you may never recoup the money you give to an unscrupulous seminar operation, despite the operator's stated refund policies. Taking precautions before you invest is a more effective way to safeguard your money than trying to get a refund after the investment's been made.

To File a Complaint

If you've been victimized by a seminar promoter, contact your local consumer protection agency, state Attorney General, and Better Business Bureau.

Work-at-Home Schemes

Be part of one of America's Fastest Growing Industries!

Earn thousand of dollars a month - from your home - Processing Medical Billing Claims.

You can find ads like this everywhere - from the streetlight and telephone pole on your corner to your newspaper and PC. While you may find these ads appealing, especially if you can't work outside your home, proceed with caution. Not all work-at-home opportunities deliver on their promises.

Many ads omit the fact that you may have to work many hours without pay. Or they don't disclose all the costs you will have to pay. Countless work-at-home schemes require you to spend your own money to place newspaper ads; make photocopies; or buy the envelopes, paper, stamps, and other supplies or equipment you need to do the job. The companies sponsoring the ads also may demand that you pay for instructions or "tutorial" software. Consumers deceived by these ads have lost thousands of dollars, in addition to their time and energy.

Classic Work-at-Home Schemes

Several types of offers are classic work-at-home schemes.

Medical billing. Ads for pre-packaged businesses - known as billing centers - are in newspapers, on television and on the Internet. If you respond, you'll get a sales pitch that may sound something like this: There's "a crisis" in the health care system, due partly to the overwhelming task of processing paper claims. The solution is electronic claim processing. Because only a small percentage of claims are transmitted electronically, the market for billing centers is wide open.

The promoter also may tell you that many doctors who process claims electronically want to "outsource" or contract out their billing services to save money. Promoters will promise

that you can earn a substantial income working full or part time, providing services like billing, accounts receivable, electronic insurance claim processing and practice management to doctors and dentists. They also may assure you that no experience is required, that they will provide clients eager to buy your services or that their qualified salespeople will find clients for you.

The reality: you will have to sell. These promoters rarely provide experienced sales staff or contacts within the medical community.

The promoter will follow up by sending you materials that typically include a brochure, application, sample diskettes, a contract (licensing agreement), disclosure document, and in some cases, testimonial letters, videocassettes and reference lists. For your investment of \$2,000 to \$8,000, a promoter will promise software, training and technical support. And the company will encourage you to call its references. Make sure you get many names from which to choose. If only one or two names are given, they may be "shills" - people hired to give favorable testimonials. It's best to interview people in person, preferably where the business operates, to reduce your risk of being misled by shills and also to get a better sense of how the business works.

Few consumers who purchase a medical billing business opportunity are able to find clients, start a business and generate revenues - let alone recover their investment and earn a substantial income. Competition in the medical billing market is fierce and revolves around a number of large and well-established firms.

Envelope stuffing. Promoters usually advertise that, for a "small" fee, they will tell you how to earn money-stuffing envelopes at home. Later - when it's too late - you find out that the promoter never had any employment to offer. Instead, for your fee, you're likely to get a letter telling you to place the same "envelope-stuffing" ad in newspapers or magazines, or to send the ad to friends and relatives. The only way you'll earn money is if people respond to your work-at-home ad.

Assembly or craftwork. These programs often require you to invest hundreds of dollars in equipment or supplies. Or they require you to spend many hours producing goods for a company that has promised to buy them. For example, you might have to buy a sewing or sign-making machine from the company, or materials to make items like aprons, baby shoes or plastic signs. However, after you've purchased the supplies or equipment and performed the work, fraudulent operators don't pay you. In fact, many consumers have had companies refuse to pay for their work because it didn't meet "quality standards."

Unfortunately, no work is ever "up to standard," leaving workers with relatively expensive equipment and supplies - and no income. To sell their goods, these workers must find their own customers.

Questions to Ask

Legitimate work-at-home program sponsors should tell you - in writing - what's involved in the program they are selling. Here are some questions you might ask a promoter:

- What tasks will I have to perform? (Ask the program sponsor to list every step of the job.)
- Will I be paid a salary or will my pay be based on commission?
- Who will pay me?
- When will I get my first paycheck?
- What is the total cost of the work-at-home program, including supplies, equipment and membership fees? What will I get for my money?

The answers to these questions may help you determine whether a work-at-home program is appropriate for your circumstances, and whether it is legitimate.

You also might want to check out the company with your local consumer protection agency, state Attorney General and the Better Business Bureau, not only where the company is located, but also where you live. These organizations can tell you whether they have received complaints about the work-at-home program that interests you. But be wary: the absence of complaints doesn't necessarily mean the company is legitimate. Unscrupulous companies may settle complaints, change their names or move to avoid detection.

Where to Complain

If you have spent money and time on a work-at-home program and now believe the program may not be legitimate, contact the company and ask for a refund. Let company representatives know that you plan to notify officials about your experience. If you can't resolve the dispute with the company, file a complaint with these organizations:

- The Federal Trade Commission works for the consumer to prevent fraud and deception. Call 1-877-FTC-HELP (1-877-382-4357) or log on to www.ftc.gov.
- The Attorney General's office in your state or the state where the company is located. The office will be able to tell you whether you're protected by any state law that may regulate work-at-home programs.
- Your local consumer protection offices.
- Your local Better Business Bureau.
- Your local postmaster. The U.S. Postal Service investigates fraudulent mail practices.
- The advertising manager of the publication that ran the ad. The manager may be interested to learn about the problems you've had with the company.

Use the FTC Rule

A franchise or business opportunity seller must give you a detailed disclosure document at least 10 business days before you pay any money or legally commit yourself to a purchase. You can use these disclosures to compare a particular business with others you may be considering or simply for information. The disclosure document includes:

- Names, addresses and telephone numbers of at least 10 previous purchasers who live closest to you;
- A fully audited financial statement of the seller;
- Background and experience of the business' key executives;
- Cost of starting and maintaining the business; and
- The responsibilities you and the seller will have to each other once you've invested in the opportunity.
- If the seller doesn't give you a disclosure document, ask why. Verify the explanation with an attorney, a business advisor or the FTC by calling its toll-free helpline at 1-877-382-4357. Even if the business is not legally required to provide a disclosure document, you still may want one for your own information.

The "Guide to FTC Franchise Rule" will provide you with complete information on rules and regulations affecting franchises: <http://www.ftc.gov/bcp/franchise/netrule.htm>

Get All the Facts

Before you buy a business:

- *Study the disclosure document and proposed contract carefully.*
- *Interview current owners in person.* (They should be listed in the disclosure document.) Visiting them in person may help you identify any that are "shills"-people paid to give favorable reports. Don't rely on a list of references selected by the company because it may contain shills. Ask owners and operators how the information in the disclosure document matches their experiences with the company.
- *Investigate claims about your potential earnings.* Some companies may claim that you'll earn a certain income or that existing franchisees or business opportunity purchasers earn a certain amount. Companies making earnings representations must provide you with the written basis for their claims. Be suspicious of any company that does not show you in writing how it computed its earnings claims.
- *Sellers also must tell you in writing the number and percentage of owners who have done as well as they claim you will.* Keep in mind that broad sales claims about successful areas of business-"Be a part of our \$4 billion industry," for example-may have no bearing on your likelihood of success. Also, recognize that once you buy the business, you may be competing with franchise owners or independent business people with more experience than you.
- *Shop around.* Compare franchises with other business opportunities. Some companies may offer benefits not available from the first company you considered. **The Franchise Opportunities Handbook**, published annually by the U.S. Department of Commerce, describes more than 1,400 companies that offer franchises. Contact those that interest you. Request their disclosure documents and compare their offerings.
- *Listen carefully to the sales presentation.* Some sales tactics should signal caution. For example, if you are pressured to sign immediately "because prices will go up tomorrow," or "another buyer wants this deal," slow down. A seller with a good offer doesn't use high-pressure tactics. Under the FTC rule, the seller must wait at least 10 business days after giving you the required documents before accepting your money or signature on an agreement. Be wary if the salesperson makes the job sound too easy. The thought of "easy money" may be appealing, but success generally requires hard work.
- *Get the seller's promises in writing.* Any oral promises you get from a salesperson should be written into the contract you sign. If the salesperson says one thing but the contract says nothing about it or says something different, it's the contract that counts. If a seller balks at putting oral promises in writing, be alert to potential problems and consider doing business with another firm.
- *Consider getting professional advice.* Ask a lawyer, accountant or business advisor to read the disclosure document and proposed contract. The money and time you spend on professional assistance, and research-such as phone calls to current owners-could save you from a bad investment decision.

The FTC website has practical information about some common business opportunity scams; how to spot, stop and avoid them; and how to file a complaint if you think you've experienced a fraud.

<http://www3.ftc.gov/bcp/online/edcams/bizopps/>

Where to Complain

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a [complaint](#) or to get [free information on consumer issues](#), visit www.ftc.gov or call toll-free, 1-877-382-4357; TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into [Consumer Sentinel](#), a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

The Missouri Attorney General's Office offers information on their website at: <http://www.ago.state.mo.us/bizoffer.htm> You can also contact the Attorney General's Consumer Protection Hotline at 1-800-392-8222.

Local Requirements

Contact the City Clerk and/or County Clerk for information on local requirements. A list of county clerks is found on the Web at www.sos.state.mo.us/elections/countyclerks.asp

Legal Structure

Anyone conducting business in the State of Missouri under a name other than his or her own legal name (e.g., John Doe), must register the business name with the Missouri Secretary of State. Missouri law allows businesses to operate under four forms or organization:

- Sole proprietorship
- Partnership – general and limited
- Corporation -- C-Corp; S-Corp; Professional, Not-for-Profit; Foreign Corporation
- Limited Liability Company – LLC

Each structure has its own advantages and disadvantages and there are many modifications and variations within these forms. The key to selection revolves around the concept of liability and taxation. You must decide which of these structures best suits your business. In choosing your business structure, consult with a qualified accountant and/or attorney who are familiar with your resources and objectives.

A description of the forms of organization and some of the advantages and disadvantages are discussed in *Starting A New Business In Missouri*. You can download forms on the web at: <http://www.ded.state.mo.us/business/startabusiness/legalstructures.shtml> or contact the Secretary of State's Office at (573) 751-3200.

Taxes

Understanding the taxes that apply to your business and how to meet the legal requirements of those taxes is critical. Consultation with an accountant or attorney is advisable.

Tax considerations are essential during the formation of a new business and during its entire life. When a business is just starting out, it may have little or no income or assets and the choice of structure may not seriously affect its tax liability. However, as the business grows, the tax implications become more significant.

Choosing a particular structure does not necessarily determine how the business will be taxed. The table found on page 26 of *Starting A New Business in Missouri* identifies the state and federal forms that must be filed for different business structures and compares the tax liabilities for the most common business structures.

Tax responsibility includes federal, state and local taxes. As a business owner you will be responsible for income taxes, payroll taxes, property tax and other miscellaneous taxes.

Any business making retail sales must obtain a Missouri Retail Sales License from the Missouri Department of Revenue. A bond, based on projected monthly gross sales is posted at the time of

application. An application form (Form #2643) can be obtained from the Dept. of Revenue on the web at <http://www.dor.state.mo.us/dorforms.htm> or by calling 1-800-877-6881. Generally, a wholesaler or manufacturer will present a Sale/Use Tax Exemption Certificate (Form #149) to the seller showing the sale is exempt from sales tax.

For more information on taxes and access to printable copies of the required forms visit: <http://www.ded.state.mo.us/business/startabusiness/businessstaxes.shtml>

Hiring Employees

Obtain a "Business Tax Kit" and a copy of "Circular E, Employer's Tax Guide" from your local IRS office or call 1-800-829-3676. "Circular E" explains federal tax withholding and Social Security tax requirements for employers as well as containing up-to-date withholding tables for you to use to determine how much federal income tax and Social Security tax is to be withheld from each employee's paycheck.

What Is Involved?

- Once you begin paying salary or wages to employees, you must collect taxes from your employees. The primary taxes are: federal and state income taxes, Social Security (FICA) and Medicare taxes.
- If you have not already done so, you must apply for a federal employer identification number (EIN) -- Form SS-4. This number is used to identify your business on payroll and income tax returns, as well as for other federal tax purposes. Corporations and partnerships must file Form SS-4 even if they have no employees.
- Have each employee complete an I-9 Employment Eligibility Verification Form and a W-4 form.
- Missouri require that all employers in Missouri report each newly hired employee to the Department of Revenue within 20 calendar days of hire.

For more information on your responsibilities as an employer, please contact our office or your local Workforce Development Career Center (formerly Job Service). To locate the nearest office, check the phone book or call (573) 751-3999 or http://www.works.state.mo.us/es_offices/index.htm

For a complete discussion on hiring employees, your responsibilities, and access to the required forms, refer to: <http://www.ded.state.mo.us/business/startabusiness/becominganemployer.shtml>

Resources:

In addition to information on the legal requirements, we think that you will find the following information helpful as you begin your business:

You can download copies of two excellent publications on the process of starting and operating a business in Missouri:

Starting a New Business in Missouri at:

<http://www.ded.state.mo.us/business/pdfs/startuppacket.pdf>

and ***Doing Business in Missouri*** at:

<http://www.ded.state.mo.us/business/startabusiness/doingbusinessinmissouri.shtml>

Evaluating Your Business Idea www.umsi.edu/~smallbus/Evalbus.pdf

Guide to Writing A Business Plan www.umsi.edu/~smallbus/BusplanG/BusplanG.pdf

The Missouri Business Development Network is a partnership of the key resource providers in Missouri. Their website contains a vast array of helpful documents, links and information on starting and operating your small business. In addition, it contains a calendar of upcoming training and educational events throughout Missouri. www.missouribusiness.net

For information on resource providers and business counselors, refer to:
http://www.missouribusiness.net/service_centers.asp

For Information on local (city or county) requirements, contact the City Clerk and/or County Clerk. A list of county clerks is found on the Web at www.sos.state.mo.us/elections/countyclerks.asp

Missouri Lawyer Referral Service

Kansas City: (816) 221-9473 (Clay, Jackson, Platte & Ray counties)

St. Louis City & County: (314) 621-6681

Springfield/Greene County: (417) 831-2783

Rest of Missouri: (573) 636-3635

Web at <http://www.mobar.org/pamphlet/referral.htm>

Missouri Society of Accountants 1-800-959-4276

Web at: <http://www.missouri-accountants.com>